

ORIGINAL

Testimony of Steve W. Gunter

Docket No. 98-362-W/S

POSTED  
12/22/98

**TESTIMONY OF STEVE W. GUNTER**

**FOR**

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**DOCKET NO. 98-362-W/S**

**IN RE: RIVER PINES WATER SYSTEMS, INC.**

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
DEC 22 1998  
UTILITIES DEPARTMENT

Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION?

A. My name is Steve W. Gunter, 101 Executive Center Drive, Koger Center,  
Columbia, South Carolina. I am employed by the Public Service Commission of  
South Carolina, Accounting Department, as an accountant/fiscal analyst.

Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND  
AND YOUR EXPERIENCE?

A. I received a B.A. Degree in Interdisciplinary Studies with a major in Accounting  
from the University of South Carolina in 1980. I am a Certified Public Accountant,  
certified in the State of South Carolina. I have over fifteen years experience in the  
auditing profession. Fourteen of those years have involved the ratemaking process.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony in this hearing is to summarize the Staff's findings  
and its recommendations that resulted from our examination of the Company's

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

101 Executive Center Drive, Koger Center, Columbia, S.C. 29210

Post Office Box 11649, Columbia, SC 29211

RETURN DATE: OK MR  
SERVICE: OK MR

1 filing in this present rate case. The Staff's findings and its recommendations are set  
2 forth in detail in the Accounting Department Report to this Commission.

3 Q. I SHOW YOU THIS REPORT WITH ITS ATTACHED EXHIBITS, ENTITLED  
4 "REPORT OF THE ACCOUNTING DEPARTMENT, PUBLIC SERVICE  
5 COMMISSION OF SOUTH CAROLINA, RIVER PINES WATER SYSTEMS,  
6 INC." WAS THIS DOCUMENT PREPARED BY THE ACCOUNTING  
7 DEPARTMENT'S STAFF.

8 A. With the exception of that portion which is tabbed Utilities Department, the report  
9 was prepared by the Accounting Department Staff.

10 Q. (MARK FOR IDENTIFICATION). WOULD YOU SUMMARIZE THE  
11 CONTENTS OF THE REPORT?

12 A. As outlined in the report's index, Pages 1 through 3 contain the Staff's Analysis of  
13 the report, with the remaining Pages 4 through 14 containing the Accounting Staffs'  
14 supporting exhibits. The major portion of my testimony will refer to the Accounting  
15 Exhibits A, A-B, A-C and A-D as shown on pages 4 through 7 of the Staff's report.  
16 These exhibits are entitled "Operating Experience and Operating Margins". These  
17 exhibits, as do all the other Accounting exhibits detailed in the Staff's report, utilize  
18 a test year ending October 31, 1997.

19 Q. DO YOU HAVE ANY FURTHER EXPLANATION OF EXHIBITS A, A-B, A-C  
20 and A-D?

1 A. Yes. The Accounting Staff has prepared these exhibits in compliance with the  
2 Commission's standard procedures as to calculating income and operating margin  
3 for water and sewer companies. A brief description of Exhibits A , A-B,  
4 A-C and A-D are as follows with the same column description applying to all four  
5 exhibits.

6 Column (1): Represents the Company's per book operations as filed for the  
7 requested increase.

8 Column (2): The Staff's Accounting and Pro Forma Adjustments are detailed  
9 in this column. Such adjustments were made by the Accounting Staff in order to  
10 normalize the Company's per book operations. These Adjustments are detailed  
11 separately in Staff's Exhibit A-1.

12 Column (3): The Staff's computation of the Company's normalized test year  
13 prior to giving effect for the proposed increase is detailed in this column of  
14 Exhibits A, A-B, A-C and A-D.

15 Column (4): The Staff's adjustment for the proposed increase as furnished by  
16 the Utilities Department and all related tax and expense adjustments that are  
17 associated with the proposed increase are detailed in this column.

18 Column (5): The Staff's computation of the Company's normalized test year  
19 after giving effect for the accounting and pro forma adjustments and the effect of  
20 the proposed increase and its associated tax and expense adjustments are detailed in  
21 this column.

1 Q. WOULD YOU PLEASE ELABORATE ON THE CALCULATIONS IN  
2 EXHIBIT A?

3 A. As shown in column (1), per book operations, the Staff, using the Company's  
4 records, computed "Net Income For Return" of \$7,100 on combined operations .  
5 This was based on Operating Revenue of \$67,244 less Operating Expenses of  
6 \$60,144 plus Customer Growth of \$-0-. By utilizing the per book net income of  
7 \$7,100 and the Company's per book revenues of \$67,244 the Staff computed an  
8 operating margin of 10.56%.

9 In Column (2), the Staff's Accounting and Pro Forma adjustments are  
10 presented. These adjustments are shown in more detail in Staff's Exhibit A-1 of this  
11 report.

12 Column (3) presents per book operations as adjusted by the Staff. After such  
13 adjustments, the Staff computed a "Net Loss For Return" of \$11,657. This was the  
14 result of Operating Revenues of \$61,157 less Operating Expenses of \$72,814 plus  
15 Customer Growth of \$-0-. By using the "Net Loss For Return" as adjusted, the Staff  
16 computed an operating margin of (19.06%).

17 Column (4) presents the Staff's adjustments for the proposed increase, as  
18 furnished by the Utilities Department, and the Operating Expenses effected by the  
19 proposed increase. These adjustments are also detailed in Exhibit A-1 of the report.

20 Column (5) presents per book operations as adjusted to normalize the test year  
21 and after the proposed increase is added to revenue. As a result, "Net Income For  
22 Return" of \$9,817 was computed by the Staff. Such income was based on Operating

1 Revenue of \$84,917 less Operating Expenses of \$75,144 plus Customer Growth of  
2 \$44. By using the resulting "Net Income For Return" of \$9,817 the Staff computed  
3 an operating margin of 11.56%.

4 Q. WOULD YOU PLEASE DESCRIBE BRIEFLY THE OTHER ACCOUNTING  
5 EXHIBITS IN THE STAFF'S REPORT?

6 Exhibit A-B details the operation experience and operating margins of the  
7 River Pines subdivision's water system while Exhibit A-C details the operating  
8 experience and operating margins of the Wood Forest subdivision's water system.  
9 Exhibit A-D details the operating experience and operating margin of Wood Forest  
10 subdivision's sewer system.

11 Exhibit A-1 details the Staff's Accounting and Pro Forma Adjustments as well  
12 as the Staff's Adjustments for the Proposed Increase and the effect of the increase  
13 on Operating Expenses. Company and Staff adjustments are compared in this  
14 exhibit with a brief description of each adjustment.

15 Exhibit A-2B, A-2C, and A-2D details the Customer Growth computation  
16 made by the Staff. The Staff used procedures that are in accordance with standards  
17 set by this Commission.

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes, it does.

20